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PLANNING AND PRIORITY SETTING IN OFFICIAL STATISTICS- THE CANADIAN EXPERIENCE

Submitted by Statistics Canada

INTRODUCTION

1. Priority setting is of central importance in the management of statistical agencies. It is the means whereby we resolve the pressures to increase the range of outputs so as to shed light on the new substantive concerns of society; to expand the range of dissemination vehicles and approaches; to reduce reporting burden; and to reduce budgets.

2. Unfortunately, there are no formulae or weighing schemes on the basis of which priorities could be derived in a mechanical manner. In the final analysis there is no substitute for judgement. However, it matters a great deal what inputs are used to condition the final exercise of judgement, and what processes are used to ensure that different perspectives have an opportunity to surface during the consideration of alternative planning scenarios. It is these inputs and planning procedures that will be the focus of the present paper.

3. It is important to underline that in the case of Canada these inputs exclude government interference. It is an intrinsic feature of the Canadian statistical system, as it will become apparent in the course of the paper, that there is no political interference in the setting of statistical priorities. Overall budgets are established for Statistics Canada by the government. But their allocation is left entirely to the discretion of the Chief Statistician.

4. Section 2 of the paper will be devoted to a description of the variety of mechanisms used to maintain awareness of the substantive requirements of different client groups. Section 3 describes our planning process, i.e. the identification of strategic directions and the setting of priorities within a given budget. Section 4 provides a summary of the specific methods used by Statistics Canada to influence the size of its budget -- methods that have proven to be at least partially successful. Finally Section 5 will articulate some lessons we have derived from a long decline in budgetary levels which has recently been reversed.

MAINTAINING AWARENESS OF USERS' NEEDS

5. Statistics Canada, while a federal agency within a federal system of government, is explicitly required by the Statistics Act to serve the statistical requirements of all levels of government. But by tradition, and at least implicitly by legislation, it is seen and sees itself as serving the (non-proprietary) statistical information needs of all sectors of society. Maintaining awareness of the requirements of such a wide range of clients can only be accomplished through a variety of different mechanisms. Some of these are targeted to suit the specific circumstances of particular client groups, others have a broader and cross-cutting character. Among the mechanisms used by Statistics Canada to keep abreast of the needs of all its client groups are the following.

(a) Consultations with federal government departments.

It has been our experience that bilateral consultations -- with one department at a time -- are considerably more productive than multilateral ones: in multilateral meetings a large part of the agenda is, of necessity, of limited interest to a majority of participants. As a result, and over time, there is downgrading in the level of representation of client departments. Liaison with the statistical office is handed over to technicians -- people with little awareness of the policy agenda of their departments and even less authority to commit resources when these are needed to back up their priority requirements. In order to combat this risk, and to balance the perceived risk of a centralized statistical system becoming isolated from the government's policy priorities, bilateral committees at the level of Assistant Deputy Minister 1/ level have been created with each of the major departments. These committees review opportunities to exploit new statistical programs, statistical needs which cannot be met through existing programs or simple modifications of them, the statistical implications of new policy initiatives, possible short term means of meeting these needs (e.g. work directly funded by the client department), and, in some cases, the supply and adaptation of administrative data.

(b) Federal-Provincial Consultations

Given their constitutional responsibility for health, education and justice, provincial governments are both key policy users of statistics and the primary source of administrative data in these areas. In each of the areas of provincial constitutional responsibility we have established a network of federal-provincial committees which at the summit involves the group of responsible deputy ministers and the Chief Statistician of Canada. These senior committees identify the specific policy priorities requiring statistical support, and provide a forum for peer pressure on the relevant provincial and federal departments to adjust their administrative systems over time so as to achieve comparable statistical reporting. For each of the other major subject areas, working level committees of the provincial statistical offices and Statistics Canada meet annually and report to an umbrella body -- the Federal-Provincial Consultative Council on Statistical Policy. The latter is composed of the official statistical appointees of the provincial governments and is chaired by the Chief Statistician of Canada. It reviews cross-cutting issues affecting federal-provincial relations within the national statistical system.

(c) Advisory Committees

Fifteen advisory committees were established by Statistics Canada to advise the Chief Statistician in major program areas such as demography, international trade, agriculture, etc., and on cross-cutting issues such as statistical methodology. Members are chosen for their expertise in the various areas. They provide a valuable external source of advice and stimulation. A National Statistics Council, composed of some 40 distinguished Canadians with backgrounds primarily in academic work, business, and labour, is appointed by the Government to advise the Chief Statistician on policy and major program issues. Each advisory committee is represented on the Council.

(d) Program evaluation

Every major program area is subject to a formal program evaluation approximately every five years. A major focus is the extent to which the program is meeting user needs, and whether it should be curtailed, modified, or expanded. In order to ensure objectivity, all evaluations are carried out by external experts under contract to the Chief Statistician. Their reports, together with the response of the reviewed program's management in Statistics Canada, are carefully reviewed by the senior executive body of the agency.

(e) Monitoring policy initiatives

Given the lead time necessary to put new statistical programs in place, it is essential to monitor emerging issues of policy concern and to anticipate the likely corresponding information needs. Close liaison with policy departments, access to and systematic reviews of Cabinet documents, and

participation by the Chief Statistician in the weekly and other briefings of Deputy Ministers are among the measures used.

(f) User enquiries and market feedback

User enquiries, especially those that cannot be satisfied, provide very direct information on user needs and data gaps. Equally, sales figures on conventional publications and electronic media products as well as other indicators (e.g. numbers and types of accesses to electronic data banks) constitute another direct source of information on what users really value and what they appear willing to forego. These market signals have become meaningful since we introduced realistic prices for statistical products and services (Fellegi 1991,a). In some cases, particularly where new products are being considered, targeted market research can be used to assess demand and tailor the product accordingly. We respond annually to some 400,000 telephone enquiries, process 380,000 publication subscriptions and casual sales, and sell 1,000,000 accesses to our on-line electronic data bank.

(g) Specific program consultations

On the occasion of major program designs and redesigns extensive and focused user consultation takes place. A prime example is the 1991 Census of Population which was preceded by a widespread program of public meetings, focus groups, meetings with known and potential data users and interest groups. Such consultation is important not only for establishing data needs, but also for developing public support for the program itself when it reaches the collection stage. Another example is provided by the consultations that take place when a major classification system is overhauled.

(h) Liaison with other user groups

Periodic meetings with representatives of groups such as trade associations, Chambers of Commerce, professional societies, and routine participation in their relevant meetings and workshops contribute to Statistics Canada's awareness and understanding of the needs of these groups. This task is shared by staff from Ottawa with their professional colleagues largely dedicated to this task and located in our various regional offices.

(i) Analytic feedback

Analytic use of statistical data is another important source of information on data weaknesses and gaps, and therefore of potential data needs. An internal analytic capacity provides a particularly useful approach to identifying data quality problems as well as gaps in the data. By using statistics to analyze economic and social issues, agency personnel acquire direct experience comparable to that of the most intensive external users. Analytic work also provides a linkage to external analysts which, in turn, creates an awareness of their emerging data needs. Statistics Canada's

analysts typically become strong "product champions" of both new statistical information and improved access and dissemination methods.

6. It may seem that what we have described is both burdensome and too elaborate. Admittedly, some of it is explicitly designed to cope with the Federal structure of Canada and is of greater interest to other federal states. But the rest is broadly applicable. We consider the process as the price of an assurance that our product line is relevant and that we are clear about the direction in which we want it to go to stay relevant in the future.

THE PLANNING PROCESS

7. Statistics Canada has developed and implemented a detailed planning process designed to integrate the various inputs and signals described in Section 2, within the budgetary framework provided to us by the Government. Given the inherently judgmental nature of the final setting of priorities, we consider it important that the process be transparent in the sense that all proposals, their reasons, and inherent trade-offs be fully and openly discussed with all senior managers of the agency. This ensures that the full range of considerations is taken into account, that decisions are visibly made on the basis of statistical priorities and without political interference, and that they represent a "corporate consensus". The planning process is also designed to allow cross-cutting issues to surface, to foster efficiency improvements, and to encourage innovation by funding low cost but promising proposals (e.g. small research studies, pilots, feasibility studies).

8. The process consists of four steps:

- the preparation of Annual Program Reports on each line area's activities and performance during the previous year;
- the review and updating of strategic long-term directions and priorities;
- tactical and operational planning; and
- decisions regarding resource allocations and policy issues.

These will be described in the next section.

9. Before getting into the details of the planning process, it should be borne in mind that the bulk of resource allocations within the agency is pretty much fixed from year to year. In fact, on average Statistics Canada's annual plan displaces for reassignment some 3 to 5% of its total budget, which is probably typical for a well established and developed statistical agency -- an overwhelming proportion of whose core programs cannot be changed from year to year. Of course, the annual value of these reassignments is very significant on the margin (some $9 million) and their cumulative impact year-in and year-out is considerable.

(a) Annual Program Reports

10. At the end of June each year a report is due from each subject matter (e.g. agriculture or education) and service area (e.g. marketing or computing services). It covers the significant achievements of the past year; measures of performance in terms of cost, timeliness, quality; an assessment of the extent to which the program complies with corporate and international standards; significant new initiatives under way; and major issues confronting the program.

11. While these reports serve as an accountability vehicle for program managers, the section on major issues is an important source of that program's input to the planning process.

(b) Strategic planning

12. Strategic priorities and directions are reviewed during the summer. Directors of groups of related programs form so-called Planning and Review Teams (PRTs) whose proposed strategic priorities are reviewed and filtered by "syndicates" chaired by the most senior agency officials immediately below the Chief Statistician. The syndicates examine the changing pressures and opportunities in their respective program areas, and confirm or adjust their proposed strategic priorities accordingly. These are presented to a conference comprising some thirty of the agency's senior managers for a thorough debate and discussion. On the basis of the conclusions reached, the agency's top management establishes and issues corporate strategic priorities and guidelines for that year's planning cycle.

13. By definition, strategic directions do not change drastically from year to year. They are refined, rather than fundamentally changed each year, unless significantly changed circumstances call for dramatic reorientations. An issue ceases to be a strategic priority once the means to address it are mobilized and put in place.

(c) Tactical and operational planning

14. Guided by the strategic priorities and the variety of applicable inputs described in Section 2 above, Planning and Review Teams develop tactical plans and program proposals for their respective areas. These are used by the Syndicates to prepare specific proposals for program changes. All such proposals are developed jointly with the relevant service areas to ensure that they are properly and fully costed.

15. Planning proposals are prepared under the following categories:

- **Adjustment:** To request a modification to a prior year's planning decision, e.g. to postpone the phasing in of an efficiency proposal or to reduce the scale of its returns. We want to ensure that planning proposals do not become overly conservative, therefore are ready to accept such adjustments when there are good supporting reasons.

- **Ongoing:** To seek additional resources necessary to maintain a program at its current level of frequency, detail, or quality. Workload increases are normally expected to be absorbed within existing resources. Therefore these requests are strongly discouraged and are only approved in exceptional circumstances. Indeed, relatively routine approval of such requests could quickly exhaust the small discretionary resources which can be freed up from year to year.

- **New initiative:** To seek resources needed to improve an existing activity or to initiate a new activity. The proposed activity can result in new or improved statistical output, or it may relate to an internal service function, or investment in infrastructure. We also maintain three so-called "block funds". Two of these represent resources earmarked respectively for methodological research and analytic activities; the third is earmarked for a variety of small investments needed to improve the system of national accounts and its feeder surveys. The annual allocation of resources from these block funds is delegated to groups of managers. Their activities are reviewed post facto during the senior planning conference and the reviews can give rise to adjustments to these funds.

- **Efficiency:** To identify an activity that can be carried out with fewer resources without diminishing the level of output or to seek resources to invest in a process that will give rise to an efficiency. On the assumption that an agency involved in information processing should be capable of sustaining an average 1% per annum efficiency improvement, syndicates are assigned a 5% efficiency target over five years. The individual program targets and annual phasing are left to the discretion of syndicates. Where increased productivity requires initial investments, the corresponding requests are approved, provided they can be amortized over three years. The most frequent investment requests relate to micro-computers and local area networks.

- **Contingency:** To identify statistical program from which resources can be liberated, by reducing content, coverage, frequency, levels of internal service, or by outright elimination of a component activity. Contingencies are the relatively lowest priority activities within the scope of a syndicate. Each syndicate is asked to identify every year contingencies representing 5% of its fully costed budget. By identifying contingencies, the planning process demands the explicit comparison of the relatively lowest priority programs which are currently carried, with the relatively highest priority programs proposed as "new initiatives".

16. Syndicates may and do also raise management or other cross-cutting issues which may have no direct resource implications but which may require a policy decision.

(d) Decision making.

17. Syndicate proposals are reviewed at a three day planning meeting held in mid-January and, as in the summer gathering, attended by some thirty of the agency's senior managers. At these meetings all recommended proposals are discussed, challenged, and further refined. This is designed to generate a shared understanding of all proposals, of the budgetary framework and its broad implications, and of corporate commitments and priorities. The feedback that managers receive at these meetings is crucial: these are the occasions to "put our money where our mouth is", i.e. to demonstrate through actions what the real corporate priorities are. This is also the occasion to show that innovative proposals are indeed favoured, that the identification of contingencies is expected to be realistic, that good corporate behaviour is expected and rewarded.

18. Many of the trappings of our planning process are there not just to ensure that the right allocations are made but also for a more subtle and in the longer term more important purpose. A process in which the evaluation of priorities and the reassignment of resources is the result of a collective effort develops a corporate mentality without which an integrated agency such as ours cannot work effectively. Our program will run the risk of fragmentation and suboptimization if our managers cannot maintain a corporate perspective at the time of planning review. For this reason, we deliberately foster means of inducing good corporate behaviour. When it is displayed, we try to find ways of rewarding it.

19. Following the plenary meeting the agency's top management carries out a final integrated assessment of proposals and makes decisions on all of them before the start of the next fiscal year on April 1st. Decisions and their underlying reasons are communicated to all managers.

20. While this process is time consuming and involves considerable consultation, it results in corporate decisions which take into account the wide range of inputs and insights needed to achieve the needed balance in program and policy priorities. Each of the several initiatives encompassed by the planning process produces identifiable benefits, but it is their cumulative effect, particularly over time, which results in significant shifts -- in programs, in values, in management style.

21. It is through this rigorous planning process that the agency managed to get through a period of severe reductions -- involving 486 person-years or some ten per cent of its strength since 1985, on top of a twenty per cent strength reduction in the late 1970s. Furthermore, we insisted that a certain level of resources must always be available for new initiatives. Therefore, efficiencies and contingencies had to yield sufficient resources to satisfy both of these requirements. Over a six year period almost 700 person-years were made available, of which some 200 could be reallocated internally once the externally imposed reduction was accommodated.

INFLUENCING THE BUDGET PARAMETERS

22. The previous sections described the specific means used by Statistics Canada to maintain an awareness of client needs and to allocate resources within given

budget parameters. In this section a brief account is given of the approaches we have used to influence these parameters.

23. First, it is a prerequisite that there should be a broadly shared belief among government decision makers in the value of statistics for policy making. The agency must engage in institutional marketing to highlight and publicize existing statistics relevant to policy issues, and to explicitly identify missing statistical information and the type of analysis that it would support.

24. Statistics Canada has implemented several concrete initiatives with this objective. Every time a statistical release is issued with some significant and non-routine information, the Chief Statistician sends a personal letter containing analytic highlights to the federal deputy ministers of the appropriate departments. The same is true regarding provincial deputy ministers in respect of areas of provincial primary responsibility.

25. Presentations of statistical trends and analyses in particular policy areas have been given to the community of federal deputy ministers. These presentations bring together relevant data from a wide variety of sources and have been greeted with enthusiasm by officials who are typically unaware of the analytic power of integrated information. The presentations provide an ideal forum for highlighting missing statistical information and the implications of these gaps.

26. All cabinet documents are routinely reviewed. These reviews represent further occasions to underscore to the deputy ministers of the originating departments the statistical information needed to support their recommendations or to monitor the impact of the new programs that they propose. Regular attendance by the Chief Statistician at weekly federal deputy minister meetings and periodic retreats provides further opportunities for productive interactions, and also contributes to establishing networks of personal relationships. In our experience the knowledgeable support of deputy ministers is of critical importance: when it comes to statistics (or other "technical" issues), most ministers are ready to accept the advice of their deputy ministers.

27. Secondly, it is essential that the central management authorities develop an image of Statistics Canada as a well managed agency that uses its resources efficiently and that sets its priorities well. In Canada these central management authorities are the Treasury Board, which oversees government operation, the Department of Finance, and the Privy Council Office (cabinet secretariat). The importance of perceiving the statistical office as a well managed agency cannot be exaggerated. In fact, even where the case is successfully made that serious statistical information gaps exist and that these gaps hinder the development or monitoring of important government activities, it does not follow that the statistical office should be granted additional resources. Indeed, the traditional and strongly held view used to be that among "all those statistics" there must be some that should be discontinued; and at any rate there must be further room for generating additional efficiencies.

28. We have worked very hard to establish an image as being one of the best managed departments of government. This involved the application of a series of innovative management techniques, particularly in the areas of personnel management, management of electronic data processing, planning, financial management, and program evaluation; and investing in the effort of sharing our experiences with others. This latter activity is pursued in a variety of ways: through invited lectures to the community of personnel managers, lectures to the community of Assistant Deputy Ministers, special reports, articles in general federal government organs and business magazines, and active participation in appropriate committees and task forces.

29. Thirdly, the agency's technical reputation must be strong. For this there are no recipes. It requires a sustained record of timely, relevant, and reliable output over a period of time. Key elements of such a performance must include the maintenance of strong technical standards, a strong internal capacity for methodological and analytic work, and robust infrastructures which provide a capacity to respond flexibly to externally funded user demands. A high international reputation also tends to bolster the domestic image -- at least in Canada. Furthermore, such a performance has to be supported by a communications effort to ensure that the image of the agency reflects this performance. Elements of such a communications effort include readable publications, good substantive analyses, releases of highlights of statistical information in language reproducible by the media, responding constructively to criticisms of the agency and misrepresentations of its outputs. Of course, appropriate internal review procedures are necessary to ensure that the outputs of the agency meet its technical standards and are appropriate for a government statistical agency, e.g. that analytic studies are carefully balanced so as to inform policy while not straying into the domain of policy prescription. A reputation that has taken years to build up can be lost very quickly by one or a few mistakes. It is an unfortunate truth that the image of the agency is almost as important as the reality: relevant and accurate statistics are not useful if they are not trusted.

30. To summarize the ingredients necessary to maintaining relevance, the statistical office must know what information is needed to shed light on the most important issues facing society, it must corral support for its view, be seen as not having excess resources, be capable of producing the needed statistics, and be trusted to do so well.

31. These conditions were exploited recently to obtain funding for some essential new information development. The manner in which this was done provides an interesting example of what has been discussed. Statistics Canada's program was mostly framed in the sixties to respond to sixties issues. Its primary focus is on macro-economic indicators, such as the national accounts, the balance of payments, consumer prices, and the status of the labour force; and on the expenditures of social programs such as income support, health and education. These issues remain very important, and it is essential that information on them remain complete and reliable. But other policy concerns have emerged that are also in urgent need of information support. They include international competitiveness and the factors that affect it; the impediments to inter-

provincial trade and their impact on constitutional arrangements; the impact on individuals of current social, health and education programs; and the structure and performance of service industries.

32. In 1989 we began to draw attention to key policy issues whose understanding and analysis is severely hindered by the absence of insightful statistical information. With presentations that demonstrated the policy questions for which the supporting statistical information was unavailable, we made sure our audience understood that these were not Statistics Canada's data gaps, but gaps in the information base of the government and society in key areas of policy attention. We managed to convince key senior deputy ministers of the urgent need to strengthen the statistical system. This group included those responsible for health, employment, industry and economic policy. Support of the Minister responsible for Statistics Canada (who is also responsible for Industry, Science and Technology) was of course crucial.

33. With this support, the proposals were endorsed and we received additional funding extending over five years: some $5.6 million in the first year, rising to over $13.2 million by 1997 and beyond. Part of the funding will come from the existing budgets of four key policy departments -- a real measure of their support and belief in the credibility of Statistics Canada as a well managed agency.

34. As a result, new programs are being introduced in six areas identified by Statistics Canada as strategic priorities:

(a) A new longitudinal survey of households is being introduced to provide information needed to assess the impact of social programs (which account for 30% of all government expenditures) on different population groups. The currently available statistical information cannot distinguish the "transient poor" from those trapped in poverty. The evaluation of policy options requires information to analyze relationships and causality over time among the following factors: job characteristics; income and wealth from all sources, including accumulated pension rights; the desire for employment and spells, durations, and relationships of unemployment and low income; and personal characteristics, including changes in family circumstances, e.g. marriage, divorce, deaths, adult children moving out; and geographic mobility.

(b) Annual expenditures on health total 9% of Canadian GDP. While existing information systems can describe in broad terms the financial and operational dimensions of health institutions, they provide no insights about the effectiveness or efficiency of those institutions in improving health. To assess the cost-benefits of alternative strategies, information is required on the part that nutrition life-style, environmental and occupational risks, socio-economic status, and the use of health care services all play. A National Health Information System, encompassing a periodic survey on the health of

Canadians and its contributing factors and the integration of survey information with provincial health records to correlate morbidity and treatment with economic, social and demographic circumstances, is required. It will be developed in close cooperation with provincial governments.

(c) Annual expenditures on education total some 6% of GDP. Existing statistical programs provide a relatively full picture of the operations of the education system -- financing, enrolment, employment of teachers, expenditures. There is, on the other hand, very little empirical information with which to determine whether the system is producing the right skills for the labour market, the extent and causes of dropping out among students, the impacts of class size and teacher training on outcomes, and the relationship of education and training to socio-economic status. Statistics Canada proposes to develop such information, once again working very closely with the competent provincial authorities.

(d) Commercial services represent 60% of the business sector and include such key and growing sectors as information and computing, tourism, business consulting, telecommunications, and the many services to manufacturing typically provided, by small businesses. Major industrial shifts have taken place, affecting the labour skills needed, the location of businesses and their dependence upon the goods and services of other industries. Canada's statistical system, however, has not adequately monitored structural changes, nor has it measured in adequate detail the production of the service industries and their contribution to overall productivity. Our coverage of the service industries will now be significantly increased. Also, a selection of monthly output indicators will be produced to track the evolution of this sector and to permit early detection of trend changes that can significantly affect our understanding of business cycles. Better and more detailed information on international transactions involving our service industries will also be produced since they have become significant in the balance of payments and financial flows.

(e) There is a critical information gap concerning the functioning of the Canadian economic union. The last time we measured trade among provinces, a key indicator of the strength of economic links, was in 1984. Funding has been received to carry out a much needed survey on the origin and destination of provincial trade and to update inter-provincial input-output tables.

(f) The environment is close to the top of the national agenda. While some modest contributions to information development in this area had been made through internal reallocations, new funding will allow us to address a range of questions relating to natural resources, waste and pollution, and their economic impacts. We hope to develop estimates

of the economic value and depreciation of our key natural resources starting with petroleum and gas, and forestry. We will extend the framework of our System of National Accounts to show the interaction between production activities and the depletion of natural resources. We will develop estimates of wastes and pollutants, their management and destruction, including recycling. Finally, estimates of the expenditures involved in the protection, rehabilitation and clean-up of the environment will be developed.

CONCLUSION

35. We have derived some important lessons from our experience over the last decade - a period during which we coped continuously with severe budget reductions while succeeding, slowly but surely, in considerably strengthening Statistics Canada's reputation, at home and abroad, as an effective efficient and well managed organization which plays a fundamentally important role in informing public and private debate and decision-making in Canada.

(i) It is essential to have a clearly articulated vision of strategic information requirements that is based on a thorough understanding of client needs.

(ii) A prerequisite for this vision to correctly reflect the priority requirements of clients is the maintenance of a very wide range of "listening devices". The actual "signals" from clients are typically particular cases of common underlying information gaps: for example, the underlying weakness of service industry statistics surfaces in the form of inadequate statistics on different service industries, or weaknesses in productivity measures. It is therefore important to have a planning system that provides for the identification of common recurring signals with long-term implications.

(iii) Because so much of what we produce is to inform government policy, the head of the statistical office must play a personal role, an almost missionary one, in relation to the critically important client group of his peers, the deputy ministers of other government departments. This role, of course, must be supported by close working arrangements at the level immediately below.

(iv) The technical competence of the agency must be thoroughly established and recognized.

(v) The central agencies, keepers of the purse strings of government, must be convinced that the statistical office is very well managed, that it is efficient, and that it has no low priority activities whose elimination could free up the resources needed for the high priority new initiatives. In turn, this is accomplished by paying high attention to good and innovative management practices, by exploiting opportunities to call interdepartmental attention to these management

practices, and by having a strong planning system which can provide objective information on the reallocations already effected.

(vi) Having a good international reputation is very helpful. Central agency staff are not qualified to evaluate the technical competence of the statistical office; reference to international recognition can be a shortcut to developing such an image. This implies being an active participant in international work.

(vii) One of the most important lessons relates to the vital need to preserve, indeed to strengthen, the basic infrastructure of the statistical office during a prolonged period of resource reductions. It is very tempting to try to preserve statistical products almost at all cost. Yet if this means allowing the infrastructure to run down, it is a short-sighted policy. By infrastructure is meant the full range of technical and professional capacity of the agency. The reasons are simple: surveys can be reinstated relatively easily (given financing); but the professional and technical capacity, if allowed to deteriorate, takes many years to rebuild. Furthermore, the capacity helps maintain flexibility in responding to user-funded requests -- an important source of revenue. It also serves as the basis for realising efficiencies which can be turned to pay for budget reductions and/or to fund new initiatives.

(viii) Budget reductions should not be occasions to cut back on staff training. On the contrary, the fewer people we had, the more we realized the importance of improving their productivity through more and better training. We have completely revised and vastly expanded our training program for both professional and technical staff. We are now devoting over 3% of our budget to the **direct** cost of training (i.e. not counting the cost of the trainees' time).

(ix) As with infrastructure and training, it is essential to pay extra attention to maintaining a spirit of innovation during the "lean years". This means realizing sufficient savings from efficiencies and contingencies, over and above those required to satisfy the mandated budget reductions, to leave a margin of free resources. A proportion of these should be invested in small, innovative, often pilot type projects. The results can often be used to encourage other departments to pay for special new surveys of particular interest to them. Even more important, simply continuing to do what one has been doing will, given sufficient time, lead to the statistical office becoming "brain dead".

36. In conclusion, we consider it as a major accomplishment that we were able to make our key clients realize the fundamental importance of relevant statistics, not to statisticians, but for their own programs. We think that we were also serving the best interests of our clients by maintaining and strengthening the basic professional and technical capacity of the statistical office, even occasionally at the price of sacrificing some tangible statistical outputs.

ACKNOWLEDGEMENT

37. Large parts of this paper are based on internal working documents to which many colleagues contributed. In addition, parts of the paper draw heavily on the references below.

NOTES

1/ Deputy Minister is the rank of the permanent heads of government departments. The Chief Statistician is a deputy minister and Statistics Canada is a separate government department.